

profits\$

ESSENTIAL INFORMATION
FOR ENTREPRENEURS

CASH IS KING

*HOW TO BUILD
YOUR CASH FLOW*

ON A MISSION
*YOUR BUSINESS CAN
MAKE A DIFFERENCE*

A TOUCH OF CLASS
*SECRETS OF ONE OF
CANADA'S PREMIER
HOTEL COMPANIES*





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COVER STORY CASH FLOW WORKOUT

Better cash flow management has helped deli-meat maker **BONTÉ FOODS** return to growth and build a more resilient business. Learn how your company can achieve better cash flow health.

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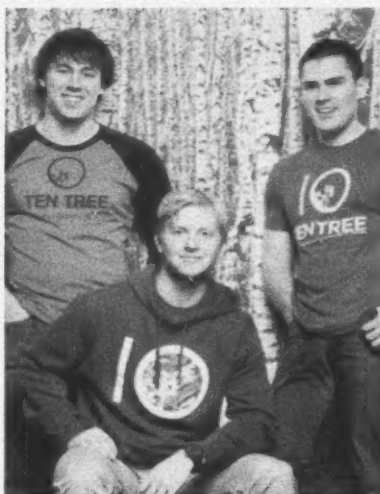
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IN HER OWN WORDS IT'S ALL IN THE DETAILS

CHRISTIANE GERMAIN was in her 30s when she and her brother opened the doors of their first hotel in Quebec City and introduced the boutique hotel concept to Canada. Almost 25 years later, **GROUPE GERMAIN HOSPITALITÉ** runs a network of hotels across Canada and employs 650 people.



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ENTREPRENEURS FIRST

A CLEAR PATH TO GROWTH

A passion for robots, a dose of reality and some basic entrepreneurial skills have taken **CLEARPATH ROBOTICS** from university project to multi-million-dollar international enterprise in just a few short years.





JEAN-RÉNÉ HALDE
PRESIDENT AND CHIEF EXECUTIVE OFFICER

THE AMBITION TO GROW

WE DO BUSINESS WITH TENS OF THOUSANDS OF ENTREPRENEURS THROUGHOUT CANADA AND THAT GIVES US A PRETTY GOOD PERSPECTIVE ON HOW THEY SEE THE FUTURE.

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Some entrepreneurs are committed to aggressively growing their business by developing new products, opening markets, and investing in productivity-enhancing equipment and technology.

But many others have chosen not to grow, often because they prefer to avoid the risks that come with expansion. This decision could also put their business at risk.

Here's why. Globalization and the Internet are bringing aggressive new competitors from around the world to every industry and every region of our country. Traditional barriers to entry are disappearing. As a result, the bar is rising on what it takes to succeed.

For many businesses, growth is the best response. A larger business has the resources to take on the competition by attracting the best employees, buying the best equipment and technology, acquiring competitors, and exploring foreign markets.

But growth doesn't just allow you to improve your competitive position. It also allows you to build more value for yourself, your family and your employees, because a growing company with bright prospects is always worth more.

In this issue of *Profit\$*, you will read about entrepreneurs who are reaping the benefits of a growing business. You can, too, by creating a plan that maps out how you will grow.

Your growth plan should start with a look at your strengths, weaknesses, opportunities and threats—your SWOT analysis. Then, write down where you want to go with your company and what you need to do to get there.

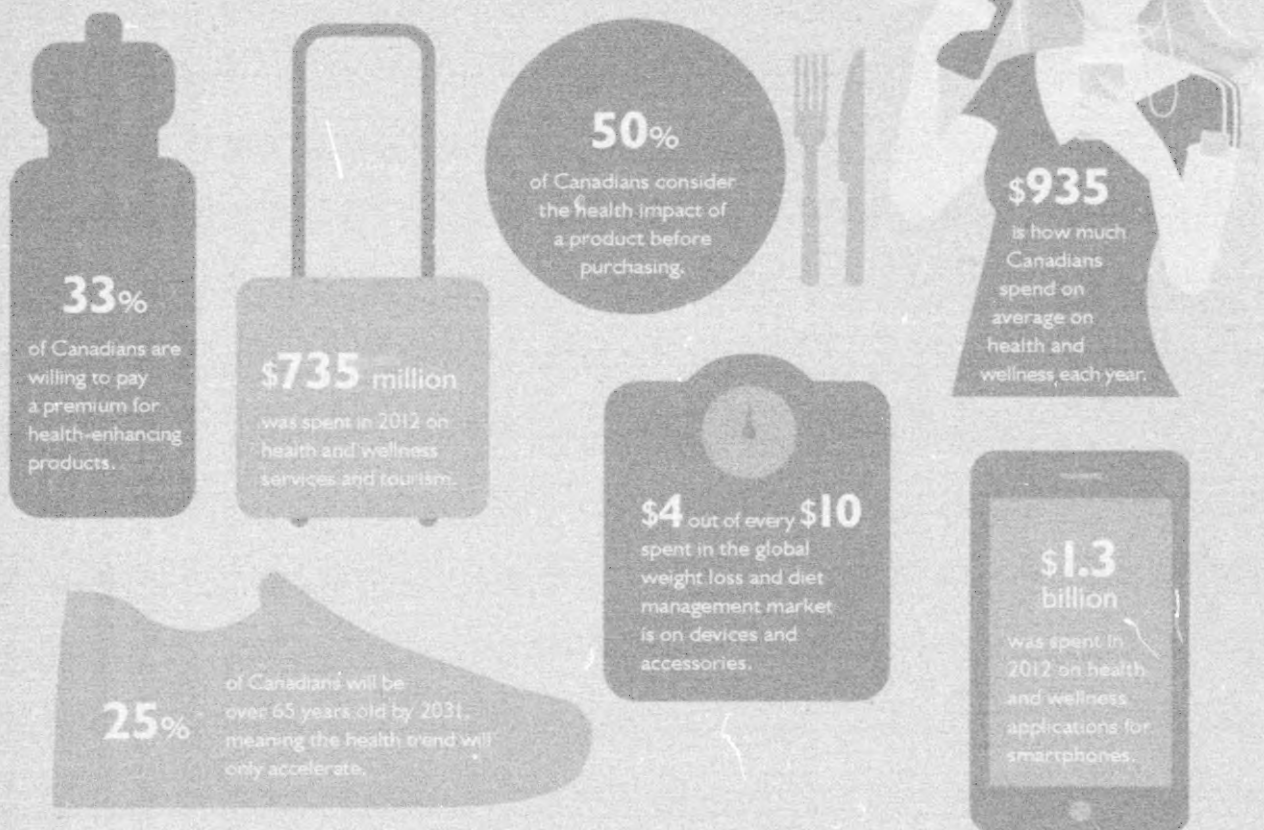
As you know only too well, it's easy to lose perspective—especially when you're growing fast. Your growth plan will help you stay focused on what's important. And it should give you milestones to measure your progress. Are you on track? What needs to be adjusted?

As you go through the process, seek advice from professionals, peer-to-peer entrepreneur groups, an advisory board or our team at BDC.

At BDC, we believe you can do it. It's our job to help. \$

THE HEALTHY CONSUMER

Health awareness is changing how Canadians eat, spend leisure time and purchase products. How could your company take advantage of this powerful trend?



To learn more about this and other emerging consumer trends, check out BDC's report *Mapping your future growth: Five game-changing consumer trends* at www.bdc.ca/consumertrends.



MANAGEMENT TIP A SHARPER FOCUS

Rob Read is the co-owner and CEO of Bison Fire Protection, a fast-growing fire extinguisher and alarm company in Winnipeg. He offered this management tip.

■ A big change around here is that we decided to bring in better supervision for employees. We've been growing quickly and becoming more diversified. But we were losing focus. We realized we lacked consistency in our customer service, invoicing and inventory management. ■ We added a supervisor for each of our divisions, and they all report to an operations manager. Before, it was just the operations manager who supervised all the divisions. The change paid off right away. People doing \$20,000 in sales a month saw that jump to \$25,000 or \$30,000 because of better supervision. ■ It's not about hiring another whip-cracker. The supervisor monitors consistency, does mentoring and makes sure there's training. We realized good service doesn't happen by accident. You have to invest in it.

INTERNATIONAL CONTRACT BASICS

HOW TO AVOID EXPORTING HEADACHES

BY CHRISTIAN DALLAIRE

If you're a small business selling to another local firm, a purchase order and invoice may be all the paperwork you need. But when you're selling abroad, you'll often want more substance—namely, a contract. A poorly drafted contract increases the risk of disputes, which may lead to a refusal to pay, or a call on letters of credit or bonds. To avoid those kinds of headaches, make sure you've covered—for starters—these five typical clauses.

PARTIES AND PURPOSE Identify the full legal names (not the trade names) of the parties involved, both on the signature line and elsewhere in the contract. The contract should also have a clear statement of obligation for the buyer to pay for and exporter (seller) to deliver specific goods and/or services, including a detailed description of their type and scope—such as design, quantity, installation and warranty.

PRICE State the total payment price and related details negotiated between buyer and exporter. For example, specify any price breakdown related to various components, such as design, goods, and training; or whether more than one currency is being used.

PAYMENT TERMS State how and when payment(s) will be made. What is the credit period—within 30 days of receipt of documentation, for example? Are partial payments due at various milestones? Will you be using payment mechanisms, such as an irrevocable letter of credit (ILC), open account or outside financing?

PURCHASE DELIVERY Clarify the delivery schedule and terms, particularly who will pay for the costs of transportation, loading, transfer of title, customs and other logistics, and loss/damage insurance. Most of the usual terms are defined in the International Chamber of Commerce's Incoterms.

PENALTIES AND LIQUIDATED DAMAGES This clause identifies financial compensation, usually offered by the seller, if there is an unintended breach of the contract, such as a late delivery. Make sure the penalty is reasonable considering the overall value of the goods and the damages the buyer might incur. For example, the penalty is normally calculated as a percentage of the contracted value of the goods/services for a specific period.

This is by no means an exhaustive list of contract terms. Depending on the value and complexity of the contract, you may want to add clauses that cover such things as justified delays, dispute resolution, governing laws and language. For more advice, consult a foreign trade lawyer and read the *Commercial Contract Terms* guide from Export Development Canada (EDC) at www.edc.ca/commercialcontractguide.

Christian Dallaire is EDC's Regional Vice President, Small Business. This article was adapted from EDC's *ExportWise* magazine (www.exportwise.ca).

TOP TIPS FOR BUYING COMMERCIAL REAL ESTATE

ILLUSTRATION: MICHAEL BLANDIN

A PLAN AND EXPERIENCED ADVISERS ARE CRITICAL

For an entrepreneur, the benefits of owning commercial real estate are numerous, including an increase in personal wealth over the long term and the freedom to manage a property in the best interests of the business.

However, purchasing commercial real estate is often the largest and most time-consuming transaction you will ever make. That's why it's essential to make sure the purchase is well researched and planned so it meets your company's needs while maximizing shareholder wealth.

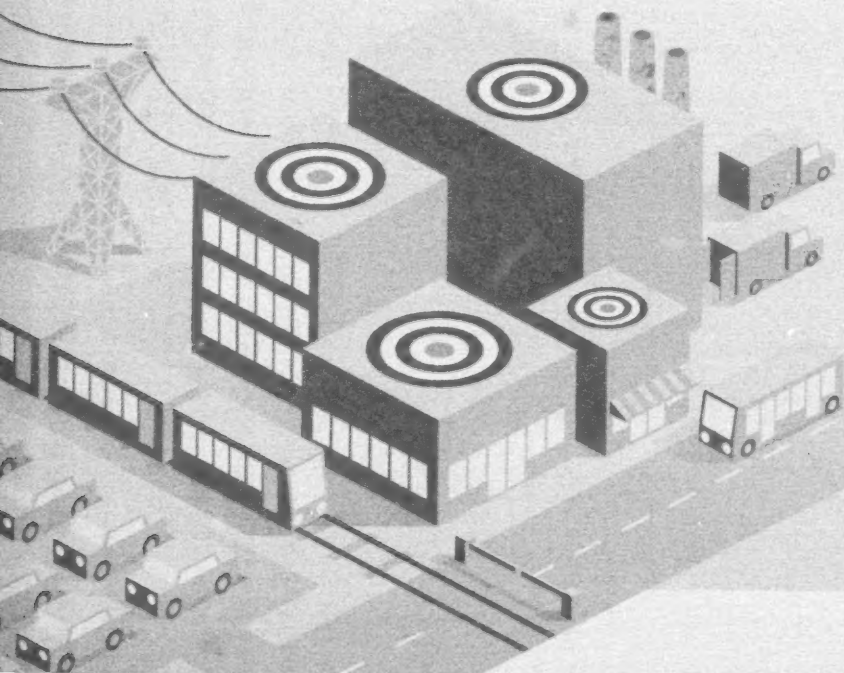
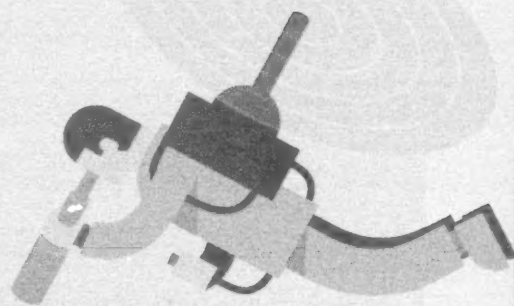
"It's never too early to start planning," says Rosanne Horner, a BDC Assistant Vice President who works with entrepreneurs to structure real estate transactions in the greater Vancouver area.

As part of the process, Horner recommends that business owners assemble a team of trusted advisers who are experienced in commercial real estate deals.

Here are some tips she suggests to keep in mind as you plan your purchase.

- 01 What kind of a building do you need for your operation? Think about what works in your current space and what doesn't. For example, do you have enough space, enough power, enough parking and enough access to transportation for staff?
- 02 If you are building or renovating your space, do your homework on construction companies. Speak to former clients and drive around to look at the quality of the work on previous projects. Then, obtain several detailed quotes, keeping in mind that the cheapest isn't always the best value for your money. It's also important to budget a substantial amount of money for contingencies.
- 03 What are your "must haves" to operate your business efficiently and your "nice to haves" that will improve the quality of your experience in the space? Entrepreneurs may start out with ambitious plans for their new premises but should be ready to scale back if the budget starts to get too tight.
- 04 Do you need to buy new machinery, equipment or technology in your new location? These items are often overlooked as part of the overall cost of a move to new premises.
- 05 Have you budgeted for preparing your new location and operating there? "It's rare that a business can move into a new location and just start operating," Horner says.

Finally, it's important to be prepared for how much of your time and attention your real estate project will require. A long and distracting construction or renovation project, plus a move, can take a heavy toll on a business.





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\$100,000

TO GROW YOUR BUSINESS

Are you an entrepreneur
between 18 and 35, and have
a project that will take your
business to the next level?

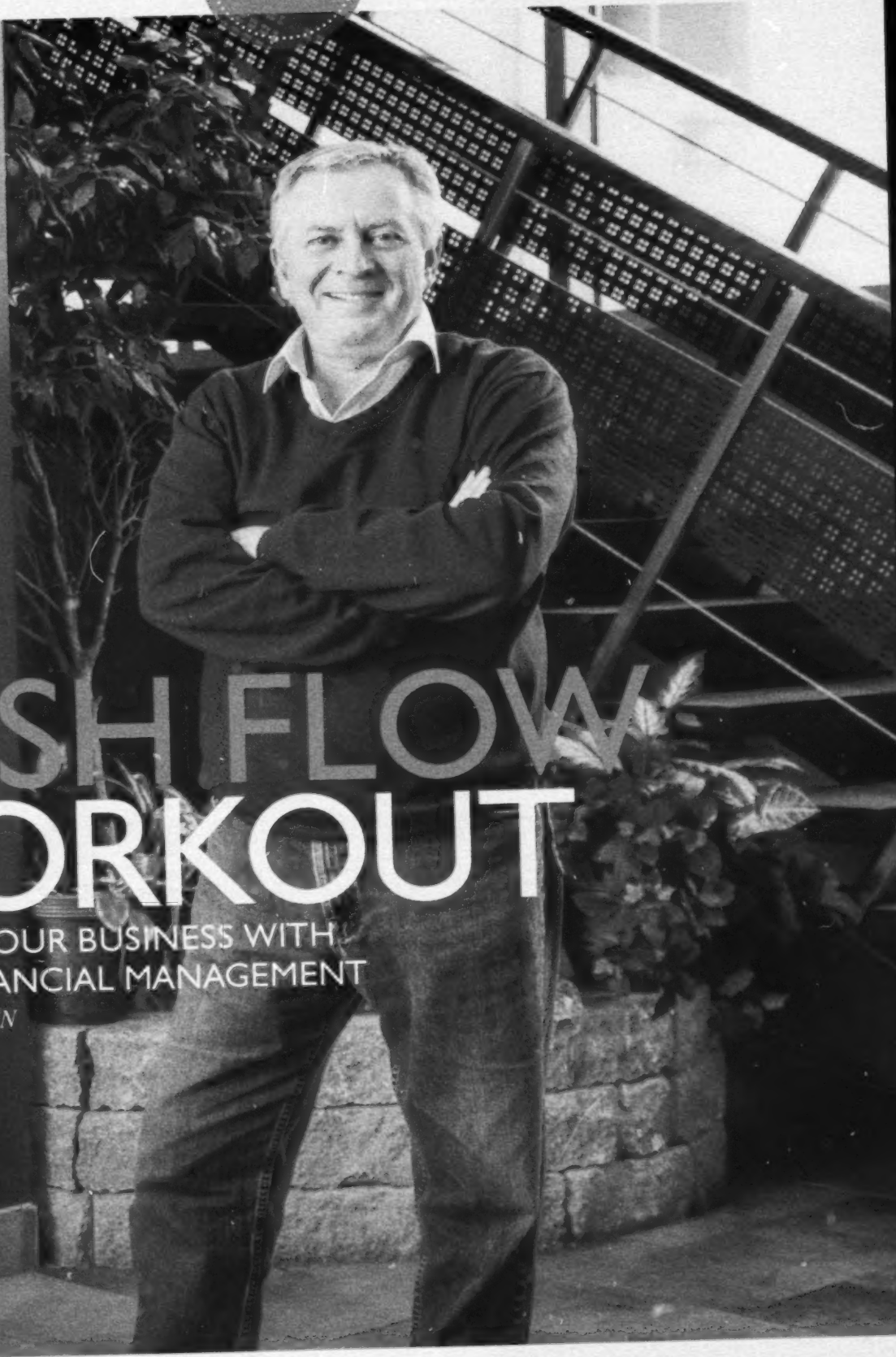
APPLY BEFORE
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A black and white photograph of Michael Whittaker, President of Bonté Foods, standing outdoors with his arms crossed. He is wearing a dark sweater over a collared shirt and jeans. Behind him is a stone wall, some potted plants, and a modern building with a glass facade.

CASH FLOW WORKOUT

SHAPE UP YOUR BUSINESS WITH
BETTER FINANCIAL MANAGEMENT

› BY ALEX ROSLIN

MICHAEL WHITTAKER
PRESIDENT / BONTÉ FOODS

MICHAEL WHITTAKER LEARNED THAT TIGHTENING UP CASH FLOW MANAGEMENT AT BONTÉ FOODS MADE ALL THE DIFFERENCE. HERE'S HOW YOU TOO CAN CREATE A HEALTHIER, STRONGER COMPANY.

Michael Whittaker got some bad news last year at his company, Bonté Foods. One of Atlantic Canada's largest deli-meat manufacturers, Bonté lost its main client for its prepared meals division—a major airline.

It was a setback, but things could have been worse. A lot worse. A few years before, Whittaker had put a huge effort into overhauling Bonté's cash flow management and restructuring its operations, leaving the company much leaner and more efficient. He knew Bonté, based in Dieppe, New Brunswick, a Moncton suburb, would survive the lost client and bounce back.

Bonté Foods is best known for its deli meats available from grocery stores and food-service distributors across Canada, as well as meats sold in the Greco Pizza restaurant chain (owned by Bonté's parent company, Trucorp Investments).

Bonté put its financial house in order after running into severe cash flow problems in 2006 and 2007. "We learned to watch our cash very carefully," says Whittaker,



President of both Bonté Foods and Trucorp. "We manage our receivables, payables and inventory much more tightly."

The company carefully studied why its cash flow problems had started in the first place. That review led to a restructuring of its operations, including shedding lower-margin divisions and asking customers to accept higher prices that better reflected its costs.

SALES JUMP

The result has been a 36% jump in sales at Bonté's meat division since 2009. Company gross profit margins are up almost 6%.

Not bad for a company that was forced to seek the help of BDC's Business Restructuring Unit, receiving deferral of its loan principal repayments in 2007. (Bonté is now back on solid financial ground and repaying its loans.)

Bonté's experiences show how complex it can be for entrepreneurs to manage cash flow. Cash flow management takes place on several levels at once—everything from accounts receivable and payable to inventory and expense control, to even bigger questions about your business model.

So it's not surprising that when cash gets tight, it can be tricky to figure out what's going wrong—and how to fix it.

The good news is companies that work on their cash flow management are better prepared and resilient when they're hit with unforeseen problems, says Sophie Gauthier, Director of BDC's Business Restructuring Unit in Atlantic Canada.

FINANCIAL PROJECTIONS

Good cash flow management starts with making financial projections and then closely monitoring your actual financial results, says Gauthier, who worked closely with Bonté on its restructuring.

A surprisingly large number of companies fail to take such basic steps and wind up facing grave cash flow problems, she says. "Companies need to adjust along the way based on actual results because things don't always go as planned."

Fast-growing companies often run into cash flow problems. That's because mounting cash outflows for such things as payroll, inventory, accounts receivable and equipment can easily outpace cash inflows—setting up an often-fatal cash crunch.

To prepare financial projections, you should first think about your plans for the coming year—especially big-ticket expenditures such as buying equipment or acquiring a business. Next, based on these plans, you should come up with a projected income statement, balance sheet and monthly cash flow forecasts.

Consider different scenarios (optimistic, most likely and pessimistic) so you can plan for the impact of each, says BDC Business Consultant Jorge Henao.

"You want to be able to predict the financial impact of your business plans, and you don't want to have any surprises," says Henao, who provides advice to entrepreneurs on financial management.

ARRANGE FINANCING

Your projections should also indicate your financing requirements for the coming year. With those in hand, you can approach your bankers to arrange credit lines or term loans. In this way, you will be lining up financing for when you need it, not in response to problems.

It's also important to avoid the common mistake of trying to pay for longer-term assets such as machinery or equipment with your everyday cash. This can lead to a cash shortage if revenues dip or your business keeps growing. You're often better off taking a term loan to pay for the asset.

As the year progresses, compare your projections to actual results on a monthly basis in order to understand the cause of variances and react properly, Gauthier says. Dig even deeper into the numbers once a quarter.

Investigating the cause of the variances will help you zero in on where things are going off the rails and how to get back on track.

For example, if sales are lower than expected, you could cut expenses, delay discretionary outlays or ask your suppliers for some breathing room.



"You really need to understand the root cause of the problem so you can fix it properly," Henao says.

Poor profit margins can also quickly lead to cash flow problems. Entrepreneurs often fail to account for all overhead costs or simply charge too little to produce an acceptable level of profit.

In the case of fast-growing companies, the problem is often a lack of financing to carry the business through until revenues catch up with expenses.

In any case, you should be vigilant about cash flow management fundamentals, such as collecting receivables as soon as possible and extending payment terms where you can.

— “ —
WE MANAGE
OUR RECEIVABLES,
PAYABLES AND
INVENTORY MUCH
MORE TIGHTLY.
— ” —

A BRIGHT FUTURE

At Bonté Foods, the company put much of this advice into practice when cash flow problems struck in 2006 and 2007. Bonté faced cost overruns on an expansion of its meat-processing facility and a large acquisition. It was too late to go back on those projects, but Bonté sprang into action on other fronts.

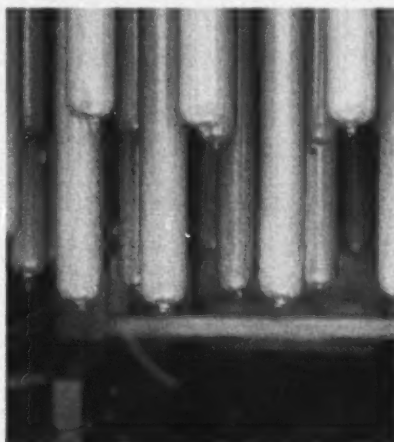
The company improved its profit margins by unloading lower-margin divisions. "We narrowed our vision to a laser-like focus on meats, our core competency," Whittaker says.

Realizing its pricing didn't reflect its higher costs after the expansion and acquisition, Bonté also approached customers to ask for substantially higher prices. Most accepted.

Bonté also hired an outside consultant to study its operations and help it get leaner. This operational efficiency drive improved both production efficiency and management of accounts receivable and payable. It also led to adoption of just-in-time inventory management.

The changes spurred rapid sales and margin growth, and left Bonté ready to handle unexpected difficulties, Whittaker says.

"Now we're a healthy company with a bright future." \$





5 STEPS TO BETTER CASH FLOW MANAGEMENT



COLLECT RECEIVABLES

as quickly as possible, even if you have to offer customers a small discount. Mobile devices can help in many businesses by allowing you to issue invoices or collect on the spot.



KEEP A CLOSE EYE

on your cash flow through the month and compare month-end and quarterly totals to projections. Find the source of variances, and adjust to get back on track.



USE TERM LOANS, not

working capital or your line of credit, to pay for capital assets such as equipment, machinery or real estate projects.



SEEK TO EXTEND

payment terms, but remember it takes two to tango. Work on improving your supplier relationships, starting by paying when you say you'll pay.



ARRANGE FINANCING

ahead of time—not when cash gets tight. If problems do arise, be up front with your bankers. They can offer a valuable outside perspective and, possibly, flexible payment terms.

MAKING A DIFFERENCE

WHY SOCIAL RESPONSIBILITY
MAKES SMART BUSINESS SENSE

› BY CHRIS ATCHISON



DERRICK EMSLEY, DAVID LUBA AND KALEN EMSLEY
OWNERS / TENTREE INTERNATIONAL

A GROWING NUMBER OF CANADIANS NOT ONLY WANT TO BUY GREAT PRODUCTS AND SERVICES, THEY ALSO WANT THEIR PURCHASES TO MAKE A DIFFERENCE. IT'S A TREND THE YOUNG OWNERS OF TENTREE INTERNATIONAL ARE TAPPING INTO TO TURN THEIR ENVIRONMENTAL CLOTHING BUSINESS INTO A GROWING SUCCESS.

Kalen Emsley and David Luba were surfing and hiking in Hawaii in 2011 when they noticed a trend. Many of their fellow travellers were embracing socially responsible clothing companies such as TOMS, a firm that's built a strong brand by giving away shoes to needy children.

The two friends had a eureka moment. What if they combined Emsley's knowledge of tree planting—he and brother Derrick had run a tree-planting company as high school students—with apparel to build an environmentally conscious brand? The idea would be to plant 10 trees for every item of clothing sold.

The duo returned home to Regina, enlisted Derrick and officially founded tentree international on New Year's Day, 2012. "People want to feel good about their purchases and know that what they buy is helping the world in some way," Derrick Emsley says.

True to his brand, Derrick (now CEO) is reluctant to even discuss growth by sales. The firm's success, he says, is really measured in the number of trees planted, a figure that had exceeded 1.2 million by the end of last year.

There looks to be much more growth ahead with a U.S. expansion planned for this year. Other socially conscious countries such as Australia are also on the founders' radar. "The impact we can make is by planting trees and keeping our product hot. We need to keep doing that," Emsley says.

AN ENGAGED BRAND

Tentree's success can be credited in part to a shift among Canadian consumers in recent years, says Craig Ryan, BDC's Director of Corporate Social Responsibility. Canadian consumers are growing ever more conscious of the social and environmental impact of their buying decisions. Increasingly, they expect businesses to go beyond a "Do no

harm" philosophy to "Make a difference," Ryan says. And that's a trend entrepreneurs ignore at their peril.

"A lot of people and businesses are acting not just as buyers, but also as citizens who care about the world they're creating and living in," he says. "What tentree has done is tap into that current."

Indeed, a recent Abacus Data survey found that nearly 60% of Canadians regard themselves as ethical consumers and would pay more for products and services produced by a socially responsible company.

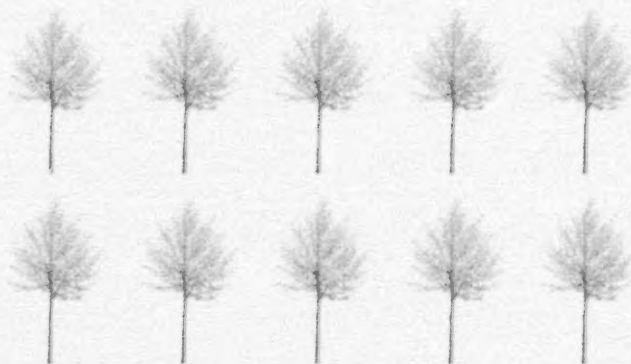
A BDC-Ipsos survey, released last fall, found that 60% of Canadian shoppers would be willing to pay at least 5% more for a product or service they consider ethical, while 90% said they would stop buying from a company using irresponsible practices.

MOTIVATED EMPLOYEES

As Ryan notes, socially responsible companies are able to establish a clear point of brand differentiation that helps shield them from lower-cost competitors. Their mission also helps them to attract and retain motivated employees who are driven by their desire to make a difference through their work. Then, of course, there's the benefit of building a fiercely loyal base of customers who will act as brand advocates.

And it's not only businesses that plant trees, give away shoes or help coffee growers in developing countries that can have a positive social or environmental impact and reap the business benefits. All kinds of businesses can find ways to make a positive difference.





But achieving success requires taking a strategic approach to ensure your company remains true to its mission and delivers the social benefits it promises, Ryan says.

You also have to have the business acumen to build a strong brand in a marketplace that's becoming clogged with companies selling sustainability and social responsibility as a key value proposition.

TRUE TO VISION

At tentree, the entrepreneurs believe staying true to their vision is essential to the company's growth. "Our customers need to believe in us and what we're doing," Emsley says. "If they question whether we're actually planting trees, we're going to be in trouble."

While there might be ways to reduce costs on the tree-planting front, Emsley says he's not interested. Instead, tentree, a client of BDC Financing, works with registered not-for-profit tree-planting organizations to ensure they support environmental best practices and plant trees that survive. The company is also careful to buy from suppliers with high ethical and environmental standards that are verified by an independent auditing company.

Ryan says it's important to be transparent about your efforts and recommends focusing on one or two socially responsible initiatives that reflect your company's vision and core competencies.

SHARING THE STORY

Unlike most of their competitors in the apparel field, tentree has never launched a traditional advertising campaign. Instead, the founders have used social media

platforms such as Facebook and Twitter to build a dedicated online following.

By tapping one of the lowest-cost marketing tools available, they also buttressed the authenticity of their green message, essentially letting their community of supporters drive sales through word-of-mouth while providing important customer feedback at the same time.

“
OUR CUSTOMERS
NEED TO
BELIEVE IN US
AND WHAT
WE'RE DOING.
”

After the firm earned more than 5,000 Facebook "likes" in just four months—a number that has spiked to more than 230,000, along with nearly 24,000 Twitter followers—local shops began paying attention and stocked the company's T-shirts, with national chains such as Boathouse following suit.

In 2012, the founders made an appearance on CBC's hit show, "Dragons' Den," and enjoyed an immediate boost in sales.

Next, the seven-person firm plans to take its authenticity-driven marketing efforts a step further by introducing a tree registry program. Consumers will be able to buy a product and use a code to see exactly where their trees have been planted around the world.

"I think we've got one of the most compelling stories out there," Emsley says. "It's all about enjoying the environment and saving it for the future." \$





4 WAYS TO BUILD A BUSINESS WITH A MISSION

01 UNDERSTAND THE EXPECTATIONS "The first thing to figure out is what society expects of you," says Craig Ryan, BDC's Director of Corporate Social Responsibility. "If you're selling T-shirts, nowadays people want to know that workers aren't making that shirt in unsafe conditions." Ryan says understanding your target customers, as well as the practices of your supply chain, are important first steps in embracing a socially responsible approach to business.

02 TELL A GREAT STORY As tentree international CEO, Derrick Emsley explains, building a socially responsible brand means communicating your efforts in the simplest and most engaging way possible. "It has to be a cause that people can relate to, one that's relevant, and you have to put a story behind it," he says. "Our brand is about planting 10 trees and the hundreds of benefits that can come from planting those trees. You can't try and tell four or five different stories."

03 USE SOCIAL MEDIA Emsley and his co-founders turned to social media channels such as Facebook and Twitter to market tentree, not only because the strategy was cost effective, but because it also delivered online community engagement. "You get instant feedback from customers but, as with any social cause, there will also be skeptics who want to know more. You have to be there 24/7 to interact with people and get your brand out there."

04 REMEMBER THE BOTTOM LINE Ryan is quick to remind entrepreneurs that making a difference and making money must go together if your initiatives are going to be sustainable. He advises entrepreneurs to consider a few questions: Is this initiative going to make money by reducing costs (energy savings, for example)? Build brand awareness? Attract customers? "If the answer is no, you have to stop."

A CLEAR PATH TO GROWTH

AN INTERNATIONAL BUSINESS BUILT
ON AN 'IRRATIONAL LOVE FOR ROBOTS'

› BY RICHARD ANDREWS

In just four years, Matt Rendall and his partners have turned a passion for robots into a multi-million-dollar business "dedicated to automating the world's dullest, dirtiest and deadliest jobs."

Rendall formed Clearpath Robotics in 2009 with classmates Bryan Webb, Ryan Ganepy and Pat Martinson, when they were all still engineering students at the University of Waterloo.

"We were the robot nerds and got along well together," says Rendall, 29, who is CEO of Clearpath in Kitchener, Ontario. "We built robots for fun and decided it would be great if we could make a living doing what we loved."

The group was also motivated by a desire to make a difference through robotics. Their initial project centred on building a remote-controlled device for clearing landmines in war-torn countries.

CLEARPATH ROBOTICS CEO
MATT RENDALL AND HIS PARTNERS
HAVE TURNED A SHARED PASSION
FOR ROBOTICS INTO AN AWARD-
WINNING COMPANY THAT
SELLS ITS HIGH-TECH PRODUCTS
IN 35 COUNTRIES.



MATT RENDALL
PRESIDENT / CLEARPATH ROBOTICS

REALITY CHECK

"We named the company Clearpath Robotics for our original mission," Rendall says. "We built prototypes and drafted a business plan, but we hit financial barriers and other challenges too large for a student startup."

So the group decided to go after another market, selling their devices to researchers working in difficult or hazardous conditions. Their first customer was a professor at the University of Waterloo who ordered an amphibious unmanned vehicle to conduct surveys of shallow bodies of water. That was the birth of the group's first robot, the Kingfisher unmanned surface vessel. Further sales soon followed.

The shift in direction reflected Rendall's view that many startups fail early because they ignore market realities.

"We didn't incorporate our company until we received our first purchase order," he says. "We decided it was not worth starting a business if we couldn't convince someone to give us money. In fact, we had six purchase orders before producing the first robot and sought angel investors to finance building it."

Under Rendall's leadership, the company became profitable within 18 months. It now employs 37 people to design, build and market its robots. With an annual growth rate of 100%, the company works with academic, corporate and military clients around the world, including the Canadian Space Agency, NASA and the Massachusetts Institute of Technology.

FROM ONTARIO TO MARS

Clearpath robots include vehicles that can be fitted with sensors and other research equipment and can be customized to perform specific tasks over all types of terrain and in water. The company, which augmented angel investments with a loan from BDC Financing, sells a wide range of products—at prices from \$2,000 to \$2 million—because customer needs vary so greatly.

For example, the popular Husky robot patrols landfills to sniff out potentially harmful gas emissions and also operates in a Chilean open-pit mine seeking hazards. Closer to home, a gold mine in Ontario uses the amphibious Kingfisher to collect data safely in a tailings pond.

"Our platforms are also being used by space programs to prepare for future exploration of the moon and Mars," Rendall says. "We're developing the next generation of rover technology in partnership with the University of Toronto, the Canadian Space Agency and aerospace giant MDA."

The Toronto native credits an entrepreneurial family background for his skills, as well as a business program for technology graduates at the University of Waterloo. The region's Accelerator Centre also helped get Clearpath up and running.

Growing up, Rendall developed his entrepreneurial chops by running small independent businesses, from a magician-for-hire company in his pre-teen years to a landscaping company when he was older.

THIS WAS WHAT I DID FOR FUN BEFORE WE STARTED THE BUSINESS.

BALANCING GROWTH AND PROFIT

However, more than magic was needed when his company needed money to expand.

"BDC's support was critical because it allowed us to free up our working capital and retain more ownership in the company," he says. "Every dollar of our own money we had to spend on inventory was a dollar we couldn't invest in hires and the future of our business."

Rendall and his partners have big ambitions for their company and that means the emphasis is on investing for growth. "If we weren't making investments, our business would be three or four times as profitable, but we wouldn't be building it for the long term."

He also emphasizes the importance of keeping a close eye on the books. "It's a matter of cash flow discipline. We analyze every deal to ensure it meets our profitability criteria."

A HUMAN HEART

In 2013, Ernst and Young named Rendall winner of its Young Entrepreneur of the Year Award for Ontario, one of several awards Clearpath has won. Rendall credits the strength of his team as a major reason for the company's achievements.

"Your people are the heart of the organization and will make or break your success," he says. "We work with self-driven experts who have multidisciplinary skills and we are passionate about what we do."

Rendall stresses the importance of constant innovation, especially as robotics becomes ever more widespread. An important part of the company's innovation strategy is to maintain close relationships with customers and seek their feedback.

IT'S THE JOURNEY

While building a successful business has its obvious rewards, Rendall says the journey is not for the faint hearted. "Buckle up, because it's quite a ride. We still have highs and lows, and they get bigger as you grow."

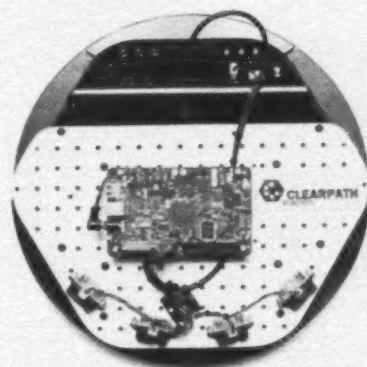
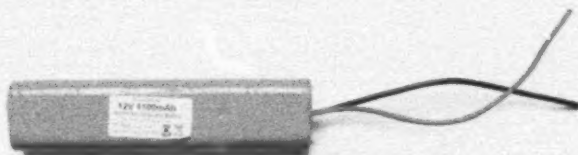
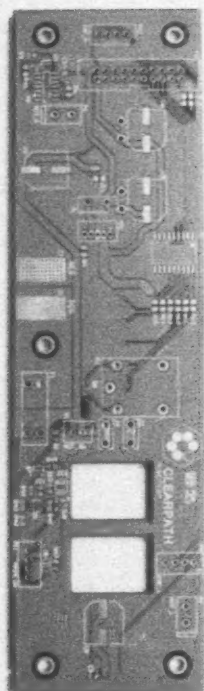
Ultimately, Rendall sees the success of the company as the triumph of passion for robotics over the roadblocks that have threatened the company's survival. "We have an irrational love for robots. It makes no sense that we've continued to operate through some of the challenging times along the way," he says. "But I don't really view it as work. This was what I did for fun before we started the business. We'll continue because we're in love with it...and we're stubborn."





LESSONS LEARNED

- 01 FROM THE START, MAKE SURE THERE'S DEMAND FOR YOUR PRODUCT, MODIFYING IT AND YOUR BUSINESS MODEL AS NECESSARY.
- 02 LOVE YOUR BUSINESS AND ADOPT AN AMBITIOUS VISION FOR YOUR COMPANY. 03 KNOW YOUR CUSTOMERS AND STAY CLOSE TO THEM. LISTEN TO THEIR FEEDBACK TO GUIDE YOUR INNOVATION PROJECTS. 04 DEVELOP YOUR COMPANY WITH PATIENCE. WATCH YOUR CASH FLOW AND INVEST FOR GROWTH. 05 BE PREPARED FOR SETBACKS ON YOUR JOURNEY.



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GROUPE GERMAIN: IT'S ALL IN THE DETAILS

CHRISTIANE GERMAIN
CO-PRESIDENT / GROUPE GERMAIN HOSPITALITÉ

Christiane Germain and her brother Jean-Yves have built one of the best-known businesses in Quebec. They are co-presidents of Groupe Germain Hospitalité, the company that created the first boutique hotel in Canada 25 years ago. In the 1950s, their parents opened a small tobacco shop in Quebec City, and later, they entered the real estate and restaurant industries. Christiane Germain and her brother began working in the family business at the end of the 1970s, mainly in the family's restaurants in Quebec City. ■ A new adventure began in the 1980s, when they visited New York and stayed at the renowned Morgans boutique hotel. It was love at first sight and they decided to bring the concept to Canada, but with a Germain touch. Their first boutique hotel, the Germain-des-Prés, opened in 1988 in Quebec City, marking the beginning of Groupe Germain Hospitalité. ■ Boutique hotels are high-end establishments located in major cities that strive to offer personalized services. These days, the Germaines manage a Canada-wide network of hotels that employs 650 people at nine properties, including five under the Le Germain Boutique-Hotels banner and four under the ALT banner. ALTs are hotels that feature modern design and offer moderately priced rooms throughout the year. ■ Christiane Germain has made her mark in the tourism industry but still has high ambitions. The Groupe Germain Hospitalité, a BDC Financing client, has three hotels under construction and has plans for five others.





I quit school and started working when I was 15. I wasn't a gifted student, but I was a good worker.

I had part-time jobs in clothing stores. Then I got a job as a teller in a bank. I worked there for a year, and they hired someone for a similar position at \$111 per week, while I was making \$72. I went to see my branch manager who told me the difference was because my colleague had finished college and was a guy.

I couldn't become a man, but I could go back to school. So I did a two-year hotel management program in Toronto and then worked for a chain of restaurants there. I've always had jobs that involved customer service.

I joined the family company in 1978. For a while my brother and I looked after my father's three restaurants in Quebec City. After visiting the Morgans boutique hotel in New York, we asked ourselves: Why not do the same thing back home?

Our first hotel in Quebec City, the German-des-Prés, was very well received. It was the first boutique hotel in Canada and quite avant garde at the time.

The concept of a boutique hotel still is not well known, even after 25 years. There are still people who think it's a hotel with boutiques in it. That's not what it is.

Boutique hotels are not made to please everyone. They are smaller, with fewer than 150 rooms, and offer personalized service to guests who seek quality and unique design.

“
I DON'T LIKE TO DWELL
ON THE PAST. YOU
ALWAYS HAVE TO LOOK
TO THE FUTURE.
”

We used the same concept when we opened the first ALT hotel in 2007, in Brossard, on Montreal's South Shore. While ALTs offer more limited services than our boutique hotels, their warmth and ambiance make them very "boutique."

I often visit our hotels. It brings me closer to the employees. I really believe in the importance of delivering messages in person.

Our philosophy is personalized, made-to-measure service. This is why the process for selecting our employees is very important.

We look for people who want to provide exceptional service and who are able to build relationships with each of our guests. It's a service that goes beyond scripted messages and takes into consideration the guest's personality and individual needs.

During a conversation with an employee in one of our hotels, a guest mentioned that it was his birthday. He explained how his mother always gave him a Cherry Blossom chocolate for his birthday.

When the guest returned that night, he found a Cherry Blossom on his pillow. It's a little detail, but it's the kind of detail that makes people happy. That's what I call personalized service.

We try to instill in our 650 employees a capacity for attention to detail and for focusing on the little things, on the little differences. We try to give them the opportunity to apply our philosophy.

Managing a company takes a lot of effort. It's important not to become discouraged and to stay the course.

At various times, there are cities where occupancy rates are really good and all the hotel operators want to get in on the action. They enter the market at the same time, which results in too many rooms. That's why you always have to plan carefully and go the extra mile to differentiate yourself from the competition, to be the best.

In 2003, we opened our first hotel outside of Quebec in Toronto. The World Health Organization had just put Toronto on the



list of cities to avoid because of the SARS epidemic. Everyone was avoiding travel to the city. That made our first year there very difficult.

I don't like to dwell on the past. You always have to look to the future. When the unexpected happens, you have to roll up your sleeves and find solutions. Endurance and perseverance are very important.

Even when business is good, you can't forget that at some point it will not be as good. It's important to have funds available to make it through the tough times.

We have three ALT hotels under construction that should open in the next 18 months in Winnipeg, Ottawa and the Griffintown district of Montreal. That will bring our total to 12 hotels in 2015.

We are also working on developing five other hotels. We would like to open ALTs in Calgary, Edmonton and St. John's, and Le Germain hotels in Ottawa and Vancouver. These are markets we're watching with a great deal of interest.

All relationships and partnerships can have challenges. The same goes for family companies. What's important is being able to keep the larger picture in sight and respect each other.

My brother, Jean-Yves, mainly takes care of the financial and administrative elements, while I take care of the group's operations. My daughter, Marie Pier, and my brother's son, Hugo, also joined the family business in 2006. Marie Pier manages the architecture, design and engineering teams during the construction and renovation of hotels, while Hugo is responsible for planning and overseeing new hotel development opportunities.

Entrepreneurs often avoid talking about their failures, but failing helps you to move forward. We had a restaurant in Quebec City that did not do well. We had a long-term lease, and we tried other concepts and changed the name several times, but it still wasn't taking off. Finally, we closed it. But we learned from the experience. We learned by trial and error.

Young entrepreneurs should understand that results are not achieved overnight. Instant success in business is very rare.

There is no recipe for success. If there was one, everyone would be successful. But there are factors that contributed to Groupe Germain's success over the past 25 years: hard work, attention to detail, customer service and caring about our employees. \$

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TECHNOLOGY: AN OPPORTUNITY NOT TO BE MISSED

TECHNOLOGY IS RAPIDLY CHANGING THE WAY WE DO BUSINESS. FORTUNATELY, THERE ARE TOOLS TO HELP BUSINESSES OF ALL SIZES INNOVATE, INCREASE PRODUCTIVITY, STREAMLINE OPERATIONS AND DO BUSINESS ONLINE.

However, Canadian entrepreneurs are not investing as much in technology as their counterparts in other countries. Are we missing out on opportunities?

Based on data published by the Centre for the Study of Living Standards, Canadian firms invested an average of \$2,553 US per worker in technology in 2011. During the same period, American firms invested an average of \$3,938 US per worker. Thus, Canadian companies invested only 65% as much as their American counterparts.

Technology investments can be broken down into computers, communications and software. For computers, Canadian

businesses spend about as much per worker as those in the U.S. However, Canadian companies lag seriously when it comes to investing in software. Overall, Canadian businesses have invested so much less over the past two decades that the cumulative value of Canadian technology assets was just 48% that of the U.S. in 2011.

This gap is surprising and worrisome because these investments are crucial to business success. A good example of this is in the manufacturing sector. Manufacturers are changing the way they do business, including by offering services to complement their products. Indeed, services accounted

for 21% of the export earnings of Canadian manufacturers in 2012. Technology plays a crucial role in providing those services.

I recently met with a group of successful entrepreneurs who told me how critical technology is to their success in today's business environment. One of the entrepreneurs, a furniture manufacturer, offered a great example of how it can transform a business.

Established more than 70 years ago, this business was struggling with new competitors, especially those in China. Then, in 2007, it transformed itself by adding a service component to its manufacturing business. The company now has the capability to receive orders directly from shoppers via the e-commerce websites of retailers. It then manufactures the furniture and ships it directly to customers anywhere in North America within 48 hours. They are no longer just a furniture manufacturer. They are a full service provider to furniture retailers.

This Canadian company is now growing rapidly in a market that has been losing ground in Canada. Its transformation wouldn't have been possible without major technology investments. These systems have allowed it to differentiate itself in the market and move away from competing purely on price.

Technology is changing our world and ratcheting up the competition on your business. You can make up for lost ground and win the race, but you'll need to invest to compete and seize new opportunities. There's no better time to start than right now. \$



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